SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1997

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-9977

MONTEREY HOMES CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Maryland (State or Other Jurisdiction) of Incorporation or Organization)	86-0611231 (I.R.S. Employer Identification No.)
6613 North Scottsdale Road, Suite 200 Scottsdale, Arizona (Address of Principal Executive Offices)	85250 (Zip Code)

(602) 998-8700
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes X No .

As of November 3, 1997; 5,255,440 shares of Monterey Homes Corporation common stock were outstanding.

MONTEREY HOMES CORPORATION
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MONTEREY HOMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	(Unaudited) September 30, 1997	December 31, 1996
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 4,843,807	$ 15,567,918
Real estate under development (Notes 2, 3 & 4)	70,921,632	35,991,142
Short-term investments	--	4,696,495
Real estate loans and other receivables	1,187,049	2,623,502
Option deposits	3,232,526	546,000
Residual interests	3,468,736	3,909,090
Other assets	1,646,879	940,095
Deferred tax asset (Note 6)	10,404,000	6,783,000
Goodwill (Note 5)	4,058,971	1,763,488
Total Assets	$ 99,763,600	$ 72,820,730
LIABILITIES		
Accounts payable and accrued liabilities	$ 14,608,468	$ 10,569,872
Home sale deposits	10,762,622	4,763,518
Notes payable (Note 3)	35,510,121	30,542,276
Total Liabilities	60,881,211	45,875,666
STOCKHOLDERS' EQUITY (Note 5)		
Common stock, par value $.01 per share; 50,000,000 shares authorized; issued and outstanding - 5,255,440 shares at September 30, 1997, and 4,580,611 shares at December 31, 1996	52,554	45,806
Additional paid-in capital	97,248,854	92,643,658
Accumulated deficit	(58,008,736)	(65,334,117)
Treasury stock - 53,046 shares	(410,283)	(410,283)
Total Stockholders' Equity	38,882,389	26,945,064
	$ 99,763,600	$ 72,820,730

</TABLE>

See accompanying notes to consolidated financial statements.

MONTEREY HOMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
REVENUES	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>
Home sales revenue	$42,685,170	--	$79,802,114	--
Residual interest and real estate loan interest income	3,388,410	$ 417,868	4,538,522	$ 1,308,818
Other income	119,000	111,688	424,748	490,938
	46,192,580	529,556	84,765,384	1,799,756
COSTS AND EXPENSES				
Cost of home sales	36,005,313	--	67,833,859	--
Commissions and other sales costs	2,191,576	--	4,190,286	--
General, administrative and other	2,450,862	216,099	4,726,331	866,933
Interest	109,372	--	109,372	237,945
	40,757,123	216,099	76,859,848	1,104,878
Earnings before income tax expense and extraordinary loss from early				

extinguishment of debt	5,435,457	313,457	7,905,536	694,878
Income tax expense	356,482	--	580,155	--
Earnings before extraordinary loss	5,078,975	313,457	7,325,381	694,878
Extraordinary loss from early extinguishment of debt	--	--	--	(148,433)
Net earnings	$ 5,078,975	$ 313,457	$ 7,325,381	$ 546,445
EARNINGS PER SHARE				
Earnings before extraordinary loss from early extinguishment of debt	$ .85	$ .09	$ 1.43	$ .21
Extraordinary loss from early extinguishment of debt	--	--	--	$ (.05)
Net earnings	$ .85	$ .09	$ 1.43	$ .16
Weighted average common shares outstanding	5,978,800	3,362,667	5,132,334	3,317,667

</TABLE>

See accompanying notes to consolidated financial statements

MONTEREY HOMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

<S>	Nine Months Ended September 30, 1997 <C>	1996 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 7,325,381	$ 546,445
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Increase in real estate under development	(16,202,716)	--
Depreciation and amortization	1,243,086	221,218
Amortization of residual interests	54,161	1,231,965
Increase in buyer deposits	5,023,258	--
Decrease in other receivables	1,780,055	--
Increase in other assets	(2,561,612)	(435,327)
Decrease in accounts payable and accrued liabilities .	(1,599,814)	(221,438)
Gain on sale of residual interest	(2,713,808)	--
Net cash provided by (used in) operating activities	(7,652,009)	1,342,863
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquired in Legacy Acquisition (Notes 1 and 5)	1,306,998	--
Cash paid for Legacy Acquisition costs (Notes 1 and 5)	(1,418,346)	--
Principal payments received on real estate loans	2,124,544	3,338,402
Real estate loans funded	(428,272)	(705,644)
(Increase) decrease in short-term investments	4,696,495	(1,325,270)
Proceeds from sale of residual interest	3,100,000	--
Decrease in funds held by Trustee	--	5,637,948
Net cash provided by investing activities	9,381,419	6,945,436
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	45,753,834	--
Repayment of borrowings	(58,131,617)	(7,818,824)
Exercise of stock options	118,592	--
Distributions to stockholders	(194,330)	(291,496)
Net cash used in financing activities	(12,453,521)	(8,110,320)
Net increase (decrease) in cash and cash equivalents	(10,724,111)	177,979
Cash and cash equivalents at beginning of period	15,567,918	3,347,243

Cash and cash equivalents at end of period	$ 4,843,807	$ 3,525,222
	============	============

</TABLE>

See accompanying notes to consolidated financial statements.

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Monterey Homes Corporation, (previously Homeplex Mortgage Investments Corporation), designs, builds and sells single family homes in Arizona and Texas. The Company builds move-up and semi-custom, luxury homes in the Phoenix and Tucson, Arizona metropolitan areas, and entry-level and move-up homes in the Dallas/Fort Worth, Austin and Houston, Texas metropolitan areas. The Company has undergone significant growth in recent periods and is pursuing a strategy of diversifying the product mix and geographic scope of its operations.

The Company was originally formed as a real estate investment trust ("REIT"), investing in mortgage-related assets, and to a lesser extent, selected real estate loans. On December 31, 1996, the Company acquired by merger (the "Merger") the homebuilding operations of various entities operating under the Monterey Homes name ("Monterey"), and is phasing out the Company's mortgage-related operations. Monterey has been building homes in Arizona for over 11 years, specializing in semi-custom, luxury homes and move-up homes. In connection with the acquisition by the Company, the management of Monterey assumed effective control of the Company.

As part of a strategy to diversify its operations, on July 1, 1997, the Company acquired (the "Legacy Acquisition") the homebuilding operations of several entities operating under the name Legacy Homes ("Legacy"). Legacy has been operating in the Texas market since 1988, and designs, builds and sells entry-level and move-up homes. In connection with the acquisition, John R. Landon, the founder and Chief Executive Officer of Legacy, joined senior management and the Board of Directors of the Company, and continues to oversee the operations of Legacy (See Note 5).

Basis of Presentation

The consolidated financial statements include the accounts of Monterey Homes Corporation and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation and certain prior period amounts have been reclassified to be consistent with current financial statement presentation. Results include the operations of Legacy from July 1, 1997, the acquisition date to September 30, 1997. In the opinion of Management, the unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the Company's financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of results to be expected for a full fiscal year.

NOTE 2 - REAL ESTATE UNDER DEVELOPMENT

The components of real estate under development are as follows:

<TABLE>
<CAPTION>

	(Unaudited) September 30, 1997	December 31, 1996
<S>	<C>	<C>
Homes in production	$45,516,509	$22,839,500
Finished lots and lots under development	25,405,123	13,151,642
	-----------	-----------
	$70,921,632	$35,991,142
	===========	===========

</TABLE>

NOTE 3 - NOTES PAYABLE

Notes payable consist of the following:

<TABLE>
<CAPTION>

	(Unaudited) September 30, 1997	December 31, 1996
<S>	<C>	<C>
Construction lines of credit with banks, interest payable		

monthly approximating prime (8.5% at September 30, 1997) to prime plus .25%, payable at the earlier of close of escrow or maturity date of individual homes within the line or June 19, 2000	$26,355,630	$ 7,251,958
Acquisition and development credit facility with bank, interest payable monthly approximating prime plus .5%, payable at the earlier of funding of construction financing, the maturity date of individual projects within the line or June 19, 2000	3,083,223	9,628,993
Short-term credit facility to bank, paid in full, June 1997	--	5,552,500
Senior subordinated notes payable, maturing October 15, 2001, annual interest of 13%, payable semi-annually, principal payable at maturity date with a put to the Company at June 30, 1998, unsecured	6,000,000	8,000,000
Other	71,268	108,825
Total	$35,510,121	$30,542,276

</TABLE>

A provision of the senior subordinated notes payable provides the bondholders with the option, at June 30, 1998, to require the Company to buy back the bonds at 101% of face value. In August 1997, $2,000,000 of the bonds were repurchased by the Company. Approximately $3,000,000 of the bonds were held by the three Co-Chief Executive Officers of the Company at September 30, 1997.

NOTE 4 - CAPITALIZED INTEREST

The Company capitalizes interest costs incurred on homes in production and lots under development. Such capitalized interest is allocated to unsold lots, and included in cost of home sales in the accompanying statements of earnings when the units are delivered. The following tables summarize interest capitalized and interest expensed (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended Sept. 30,		Nine Months Ended Sept. 30,	
	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>
Beginning unamortized capitalized interest.................	$ 1,166	$ N/A	$ --	$ N/A
Interest capitalized......................................	930	N/A	2,516	N/A
Amortized cost of home sales..............................	(346)	N/A	(766)	N/A
Ending unamortized capitalized interest....................	$ 1,750	$ N/A	$ 1,750	$ N/A
Interest incurred...	$ 1,039	$ 0	$ 2,625	$ 238
Interest capitalized......................................	(930)	N/A	(2,516)	N/A
Interest expense..	$ 109	$ 0	$ 109	$ 238

</TABLE>

Had capitalized interest maintained its character in purchase accounting after the Merger and Legacy Acquisition, interest capitalized by the Monterey

Entities (See Note 5) would have been approximately $930,000 and $948,000 for the three months ended September 30, 1997 and 1996, respectively. Interest amortized through cost of home sales would have been approximately $1,073,000 and $524,000 for the same periods, respectively. For the nine months ended September 30, 1997 and 1996, interest capitalized would have been approximately $2,516,000 and $2,515,000, respectively, while interest amortized through cost of home sales would have been approximately $2,579,000 and $1,484,000, respectively.

NOTE 5 - HOMEPLEX / MONTEREY MERGER AND LEGACY HOMES ACQUISITION

On December 23, 1996, the stockholders of Homeplex Mortgage Investments Corporation, now known as Monterey Homes Corporation (the "Company"), approved the Merger (the "Merger") of Monterey Homes Construction II, Inc. and Monterey Homes Arizona II, Inc., both Arizona corporations (collectively, the "Monterey Entities" or "Monterey"), with and into the Company. The Merger was effective on December 31, 1996, and the Company's focus is now on homebuilding as its primary business. Ongoing operations of the Company are managed by the two previous stockholders of Monterey, who at the time of the Merger became Co-Chief Executive Officers, with one serving as Chairman and the other as President. At consummation of the Merger, 1,288,726 new shares of common stock, $.01 par value per share, were issued equally to the Chairman and President.

On May 29, 1997, the Company signed a definitive agreement with Legacy Homes, Ltd., Legacy Enterprises, Inc. and John and Eleanor Landon (together, "Legacy Homes"), to acquire the homebuilding and related mortgage service business of Legacy Homes, Ltd. and its affiliates. This transaction was effective on July 1, 1997. Legacy Homes is a builder of entry-level and move-up homes headquartered in the Dallas/Fort Worth metropolitan area and was founded in 1988 by its current President, John Landon. In 1996, Legacy Homes had pre-tax income of $8.8 million on sales of $84 million, compared to pre-tax income of $5.7 million on sales of $62 million in 1995, and in 1996, was recognized as one of the top ten homebuilders in the Dallas/Fort Worth area.

In connection with the Legacy transaction, John Landon entered into a four-year employment agreement with the Company and was appointed Chief Operating Officer and Co-Chief Executive Officer of the Company and President and Chief Executive Officer of the Company's Texas division. Mr. Landon was also granted an option to purchase 166,667 shares of the Company's common stock and was elected to the Company's Board of Directors.

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company as if the Merger had occurred at January 1, 1996, with pro forma adjustments together with related income tax effects. The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would actually have resulted had the combination been in effect on the date indicated. The following pro forma information does not reflect the Legacy Acquisition in July 1997.

<TABLE>
<CAPTION>

	Three Months ended September 30,		Nine Months Ended September 30,	
	1997 Actual	1996 Pro Forma	1997 Actual	1996 Pro Forma
<S>	<C>	<C>	<C>	<C>
Home sales revenue ...	$42,685,170	$19,419,155	$79,802,114	$50,910,796
Net earnings	$ 5,078,975	$ 2,020,215	$ 7,325,381	$ 3,620,312
Net earnings per share	$ .85	$ .42	$ 1.43	$ .75

</TABLE>

NOTE 6 - INCOME TAXES

Deferred tax assets of approximately $10.4 million and $6.8 million have been recorded respectively in the September 30, 1997 and December 31, 1996 balance sheets due to temporary differences and carryforwards. For federal and state income tax purposes at September 30, 1997 and at December 31, 1996, the Company had a net operating loss carryforward of approximately $48 million and $53 million, respectively, that expires beginning in 2007.

Income tax expense for the three months ended September 30, 1997 was $356,482, and $580,155 for the nine months ended September 30, 1997. No income tax was recorded in 1996 due to the Company's status as a real estate investment trust in that year.

NOTE 7 - RESIDUAL INTEREST AND REAL ESTATE LOAN INTEREST INCOME

Sale of Residual Interests

On July 31, 1997, the Company sold one of its Mortgage Securities for approximately $3.1 million, creating a gain of approximately $2.7 million. The security sold was one of eight mortgage assets owned by the Company at the time of the December 31, 1996 Merger.

NOTE 8 - SUBSEQUENT EVENTS

Sale of Residual Interests

On October 28, 1997, the Company sold another of its Mortgage Securities for $2.4 million, creating a gain of approximately $350,000. The security sold was one of eight mortgage assets owned by the Company at the time of its December 31, 1996 Merger.

NOTE 9 - IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In February, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share," (Statement 128), which establishes standards for computing and presenting earnings per share (EPS). It replaces the presentation of primary and fully diluted EPS with a presentation of basic and diluted EPS. Statement 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997. Earlier application is not permitted. After adoption, all prior period EPS dates should be restated to conform to Statement 128.

The Company will adopt Statement 128 in the fourth quarter of 1997. The pro forma impact of Statement 128 on the three months ended September 30, 1997 would have been basic and diluted EPS of $.97 and $.85 respectively. The pro forma impact on the nine months ended September 30, 1997, would have been basic and diluted EPS of $1.54 and $1.41, respectively.

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements. The words "believe," "expect," "anticipate," and "project" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Such forward-looking statements are within the meaning of that term in Section 27A of the Securities Act of 1993, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may include, but are not limited to, projections of revenues, income or loss, capital expenditures, plans for future operations, financing needs or plans, the impact of inflation, the impact of changes in interest rates, plans relating to products or services of the Company, potential real property acquisitions, and new or planned development projects, as well as assumptions relating to the foregoing.

Statements in Exhibit 99 to this Quarterly Report on Form 10-Q and in the Company's Annual Report on Form 10-K, including the Notes to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations," describe factors, among others, that could contribute to or cause such differences. Additional factors that could cause actual results to differ materially from those expressed in such forward-looking statements are set forth in "Business" and "Market for the Registrant's Common Stock and Related Stockholder Matters" in the Company's December 31, 1996 Annual Report on Form 10-K.

Historical Results Of Operations For The Three and Nine Months Ended September 30, 1997 Compared To 1996

The Company had net earnings of $5,078,975 or $.85 per share and $7,325,381 or $1.43 per share, respectively, for the three and nine months ended September 30, 1997 compared to net earnings of $313,457, or $.09 per share and $546,445, or $.16 per share for the comparable periods in 1996. The increases in the current year were caused by the addition of the homebuilding operations during 1997. Sales revenue, cost of sales, commissions and other sales costs all increased in 1997, reflecting the addition of homebuilding operations in December 1996 and the Legacy Acquisition in July 1997. Results for the nine months ended September 30, 1996, include an extraordinary loss from the early extinguishment of debt of $148,433, or $.05 per share.

Residual interest and real estate loan interest income was higher in the three and nine months ended September 30, 1997 than in the same periods of the previous year mainly due to the sale of one of the Company's mortgage securities, which resulted in a gain of approximately $2.7 million.

General, administrative and other costs were $4,642,438 and $216,099 in the three months ended September 30, 1997 and 1996 respectively. These costs were $8,916,617 for the first nine months of 1997 and $866,933 for the first nine months of 1996. The increases for both periods were caused by higher corporate costs, including compensation expense related to stock options and contingent stock, expenses resulting from the Legacy Acquisition and approximately half of the 1997 costs are related directly to commissions and other home-selling expenses, which the Company did not have in 1996.

The increases in income taxes of $356,482 and $580,155 for the three and nine months ended September 30, 1997 over the same periods in the prior year resulted from the Company recording no income tax in 1996 due to its status as a REIT at that time.

Liquidity And Capital Resources

The Company's principal uses of working capital are land purchases, lot development and home construction. The Company uses a combination of borrowings and funds generated by operations to meet its working capital requirements.

The cash flow for each of the Company's communities can differ substantially from reported earnings, depending on the status of the development cycle. The early stages of development or expansion require significant cash outlays for, among other things, land acquisitions, obtaining plat and other approvals, and construction of model homes, roads, certain utilities, general landscaping and other amenities. Since these costs are capitalized, this can result in income reported for financial statement purposes during those early stages significantly exceeding cash flow. After the early stages of development and expansion when these expenditures are made, cash flow can significantly exceed earnings reported for financial statement purposes, as cost of sales includes charges for substantial amounts of previously expended costs.

At September 30, 1997, the Company had available short-term secured, revolving construction loan facilities totaling $60 million and a $20 million acquisition and development facility, of which approximately $26.4 million and $3.1 million were outstanding, respectively. An additional $12.5 million of unborrowed funds were available under its credit facilities at such date. Borrowings under the credit facilities are subject to the inventory collateral position of the Company and a number of other conditions, including the Company's minimum net worth, maximum debt to equity ratio and debt coverage. The Company also has outstanding $6 million in unsecured, senior subordinated notes due October 15, 2001 (the "Notes"), which were issued in October 1994.

In the third quarter of 1997, the Company used $5.5 million in cash to purchase land for future development at two sites in the Scottsdale area. The Company added a portion of one of the properties to its acquisition and development guidance facility, generating $1.7 million in available funds under its revolving construction loan facility. Cash spent for land purchases in the first nine months of 1997 was approximately $13.7 million, generating approximately $6 million in available funds.

The Indenture relating to the Notes and the Company's various loan agreements contain restrictions which could, depending on the circumstances, affect the Company's ability to obtain additional financing in the future. If the Company at any time is not successful in obtaining sufficient capital to fund it then-planned development and expansion costs, some or all of its projects may be significantly delayed or abandoned. Any such delay or abandonment could result in cost increases or the loss of revenues and could have a material adverse effect on the Company's results of operation and ability to repay its indebtedness.

Pro Forma Results Of Operations For The Three and Nine Months Ended September 30, 1997 And 1996

As a result of the Homeplex Merger, the primary business of the Company has shifted from the making of real estate loans and holding residual interests to homebuilding. Due to this change, Management believes that comparison of operations for quarters in a prior year with the current quarter operations is not as meaningful as the pro forma results. Accordingly, Management has prepared pro forma condensed combined operating results for the three months ended September 30, 1996, and the nine months ended September 30, 1996, which reflect the impact of combining the pre-merger companies as though the Merger had taken place on January 1, 1996. The following pro forma information does not reflect the Legacy Acquisition in July 1997.

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1997	1996	1997	1996
	----	----	----	----

	Actual	Pro Forma	Actual	Pro Forma
	(Dollars in thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Home sales revenue	$42,685	$19,419	$79,802	$50,911
Cost of home sales	36,005	16,144	67,834	43,688
Gross profit	6,680	3,275	11,968	7,223
Selling, general and administrative	4,752	1,575	9,026	5,291
Other income	3,507	570	4,963	2,136
Earnings before income taxes .	5,435	2,270	7,905	4,068
Income tax expense	356	250	580	448
Net earnings	$ 5,079	$ 2,020	$ 7,325	$ 3,620
Earnings per share	$ .85	$ .42	$ 1.43	$ .75

</TABLE>

Key assumptions in the pro forma results of operations relate to the following:

(1) The transaction was consummated on January 1, 1996.
(2) Compensation expense was adjusted to add the new employees' cost and to deduct the terminated employees' cost.
(3) The net operating loss was utilized to reduce the maximum amount of taxable income possible.

Results Of Operations

The following discussion and analysis provides information regarding the results of operations of the Company and its subsidiaries for the three and nine months ended September 30, 1997 and pro forma operations for the three and nine months ended September 30, 1996. All material balances and transactions between the Company and its subsidiaries have been eliminated. Results include the operations of Legacy from July 1, 1997, the acquisition date, to September 30, 1997. This discussion should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1996. In the opinion of management, the unaudited interim data reflects all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the Company's financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of results to be expected for a full fiscal year.

Home Sales Revenue and Cost of Home Sales

Home sales revenue for any period is the product of the number of units closed during the period and the average sales price per unit. The following table presents comparative third quarter and first nine months 1997 and 1996 housing revenues (dollars in thousands):

<TABLE>
<CAPTION>

	Quarters Ended September 30, 1997	Quarters Ended September 30, 1996	Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996	Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Dollars	$ 42,685	$ 19,419	$ 23,266	120%	$ 79,802	$ 50,911	$ 28,891	57%
Units closed	202	61	141	231%	307	186	121	65%
Average sales price .	$ 211.3	$ 318.3	$ (107.0)	(34%)	$ 259	$ 273.7	$ (13.8)	(5%)

</TABLE>

The increase in revenues and number of units closed in the quarter and nine months ended September 30, 1997, compared to the same periods in 1996, resulted mainly from the Legacy Acquisition. The lower average sales price in 1997 is also due to sales in the Texas market, where the focus of the Texas division is on entry-level and move-up homes.

Gross Profit

Gross Profit equals home sales revenue, net of housing cost of sales, which include developed lot costs, unit construction costs, amortization of common community costs (such as the cost of model complex and architectural, legal and zoning costs), interest, sales tax, warranty, construction overhead and closing costs.

The following table presents comparative third quarter and first nine months of 1997 and 1996 housing gross profit (dollars in thousands):

<TABLE>
<CAPTION>

	Quarters Ended September 30, 1997	Quarters Ended September 30, 1996	Increase (Decrease)	Percentage Increase (Decrease)	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996	Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)
Dollars	$ 6,680	$ 3,275	$ 3,405	104%	$11,968	$ 7,222	$ 4,746	66%
Percent of housing revenues	16%	17%	(1%)	(6%)	15%	14%	1%	7%

</TABLE>

Gross profit margins for the quarter and nine months ended September 30, 1997 over the same periods remained relatively unchanged due to stable market conditions. The dollar increase in gross profit is attributable to the increase in number of units closed, primarily due to the Legacy Acquisition.

Selling, General And Administrative Expenses

Selling, general and administrative expenses (SG&A), which include advertising, model and sales office, sales administration, commissions and corporate overhead costs, were $4.6 million for the third quarter of 1997, as compared to $1.6 million for the same period in 1996, an increase of 200%. SG&A expenses were $8.9 million for the first nine months of 1997, as compared to 1996 costs of $5.3 million for the same period, an increase of 70%. These changes were caused mainly by increased advertising and model home expenses, higher administrative, corporate and public company costs, and the inclusion of Legacy operating costs in the third quarter of 1997.

Development Projects

At September 30, 1997, the Company had 44 communities under various stages of development. The Company was actively selling in 30 communities, was sold out in five communities, and was in various stages of preparation to open for sales in nine communities. The Company owns the underlying land in eight communities subject to bank acquisition financing and the underlying land in seven communities free from any acquisition financing. The lots in the remaining 29 communities are purchased from developers on a rolling option basis. The Company purchased two new communities in the third quarter of 1997, and entered into three new rolling lot option contracts. Depending on market conditions, management may elect to make additional selective property acquisitions throughout the remainder of the current year.

Net Orders

Net orders for any period represent the number of units ordered by customers (net of units canceled) multiplied by the average sales price per units ordered. The following table presents comparative third quarter and first nine months of 1997 and 1996 net orders (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended September 30, 1997	Quarter Ended September 30, 1996	Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996	Dollar/Unit Increase (Decrease)	Percentage Increase (Decrease)
Dollars	$ 55,526	$ 28,100	$ 27,426	98%	$109,467	$ 66,191	$ 43,276	65%
Units ordered	270	86	184	214%	439	219	220	101%
Average sales price .	$ 205.7	$ 326.7	$ (121.1)	(37%)	$ 249.4	$ 302.2	$ (52.8)	(18%)

</TABLE>

Increases in the third quarter and first nine months are primarily due to the Legacy Acquisition on July 1, 1997.

The Company does not include sales which are contingent on the sale of the customer's existing home as orders until the contingency is removed. Historically, the Company has experienced a cancellation rate of less than 16% of gross sales.

Net Sales Backlog

Backlog represents net orders of the Company which have not closed. The following tables present comparative September 30, 1997 and 1996 net sales backlog for the total Company, and the Arizona and Texas divisions individually. The Texas division was not a part of Monterey Homes at September 30, 1996 and the backlog numbers for that period are shown for comparative purposes only. (dollars in thousands):

	September 30,		Dollar/Unit	Percentage
Total	1997	1996	Increase (Decrease)	Increase (Decrease)
Dollars	$117,780	$ 54,820	$ 62,960	115%
Units in backlog	555	177	378	214%
Average sales price ..	$ 212.2	$ 309.7	$ (97.5)	(32%)
Arizona				
Dollars	$ 67,597	$ 54,820	$ 12,777	23%
Units in backlog ..	193	177	16	9%
Average sales price	$ 350.2	$ 309.7	$ 40.5	13%
Texas				
Dollars	$ 50,183	$ 44,464	$ 5,721	13%
Units in backlog ..	362	308	54	18%
Average sales price	$ 138.6	$ 144.4	$ (5.8)	(4%)

Total dollar backlog increased 115% over the prior year due to an increase in units in backlog partially offset by a decrease in average sales price. Average sales price as a whole has decreased due to the Legacy Acquisition, where the focus is on entry-level and move-up homes. Units in backlog have increased 214% over the prior year due to the increase in net orders caused by the Texas expansion.

Arizona dollar backlog increased 23% over the prior year due to the increased number of units in backlog along with an increase in average sales price.

Texas dollar and unit backlog is up over the prior year due to increased orders in 1997. The average sales price is slightly lower due to the increase in the product mix of entry level home sales.

Seasonality

The Company has historically closed more units in the second half of the fiscal year than in the first half, due in part to the slightly seasonal nature of the market for their semi-custom, luxury product homes. Management expects that this seasonal trend will continue in the future, but may change slightly as operations expand within the move-up segment of the market.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

(a) On September 25, 1997, Monterey Homes held its Annual Meeting of Shareholders, at which John R. Landon, Robert G. Sarver and C. Timothy White were elected as Class II Directors to serve for a two year term which expires at the 1999 Annual Meeting. Voting results for these nominees are summarized as follows:

	FOR	WITHHELD
John R. Landon	4,935,789	63,082
Robert G. Sarver	4,982,066	16,805
C. Timothy White	4,974,727	24,144

Additionally, the Shareholders adopted the Monterey Homes Corporation Stock Option Plan and approved an amendment to the Company's Bylaws to increase the number of authorized directors of the Company from five to nine. Voting results are as follows:

	Approval of Stock Option Plan	Approval to Increase Board of Directors
Shares FOR	4,880,734	4,541,556
Shares AGAINST	88,433	72,924
Shares ABSTAINED	29,704	35,105
Shares NOT VOTED BY BROKERS	0	349,286

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibit 27 - Financial Data Schedule

Exhibit 99 - Private Securities Reform Act of 1995 Safe Harbor Compliance Statement for Forward-Looking Statements

(b) Reports on Form 8-K - An Amendment No. 1 to Current Report on Form 8-K, dated July 1, 1997, was filed with the Securities and Exchange Commission on September 12, 1997, and an Amendment No. 2 to Current Report on Form 8-K, dated July 1, 1997, was filed with the Securities and Exchange Commission on October 29, 1997. Both of these amendments filed the financial statements, pro forma financial information and exhibits related to the Legacy Acquisition.

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EXHIBIT 99

Private Securities Litigation Reform Act of 1995
Safe Harbor Compliance Statement for Forward-Looking Statements

In passing the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), Congress encouraged public companies to make "forward-looking statements" by creating a safe-harbor to protect companies from securities law liability in connection with forward-looking statements. Monterey Homes Corporation (the "Company" or "Monterey") intends to qualify both its written and oral forward-looking statements for protection under the PSLRA.

To qualify oral forward-looking statements for protection under the PSLRA, a readily available written document must identify important factors that could cause actual results to differ materially from those in the forward-looking statements. Monterey provides the following information in connection with its continuing effort to qualify forward-looking statements for the safe harbor protection of the PSLRA.

Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, the following: (i) changes in national and local economic and other conditions, such as employment levels, availability of mortgage financing, interest rates, consumer confidence, and housing demand; (ii) risks inherent in homebuilding activities, including delays in construction schedules, cost overruns, changes in government regulation, increases in real estate taxes and other local government fees; (iii) changes in costs or availability of land, materials, and labor; (iv) fluctuations in real estate values; (v) the timing of home closings and land sales; (vi) the Company's ability to continue to acquire additional land or options to acquire additional land on acceptable terms; (vii) a relative lack of geographic diversification of the Company's operation, especially when (A) real estate analysts are predicting that new home sales in the Phoenix, Arizona metropolitan area may slow significantly during 1997 and 1998 and (B) new home sales in the Tucson, Arizona metropolitan area are expected to remain relatively flat during 1997; (viii) the inability of the Company to obtain sufficient capital on terms acceptable to the Company to fund its planned capital and other expenditures; (ix) changes in local, state and federal rules and regulations governing real estate developing and homebuilding activities and environmental matters, including "no growth" or "slow growth" initiatives, building permit allocation ordinances and building moratoriums; (x) expansion by the Company into new markets in which the Company has no operating experience, such as Texas; (xi) the inability of the Company to identify acquisition candidates that will result in successful combinations; (xii) the failure of the Company to make acquisitions on terms acceptable to the Company; (xiii) the loss of key employees of the Company, including William W. Cleverly, Steven J. Hilton and John R. Landon; and (xiv) factors that may affect the Company's mortgage assets, including general conditions in the financial markets, changes in prepayment rates and changes in interest rates.

Forward-looking statements express expectations of future events. All forward-looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties which could cause actual events or results to differ materially from those projected. Due to these inherent uncertainties, the investment community is urged not to place undue reliance on forward-looking statements. In addition, Monterey undertakes no obligations to update or revise forward-looking statements to reflect changed assumptions, the occurrence of anticipated events or changes to projections over time.

(1) "Forward-looking statements" can be identified by use of words such as "expect," "believe," "estimate," "project," "forecast," "anticipate," "plan," and similar expressions.

MONTEREY HOMES CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.

MONTEREY HOMES CORPORATION
A Maryland Corporation

November 14, 1997 By: /s/ LARRY W. SEAY

Larry W. Seay
Vice President of Finance & Chief Financial Officer